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Report on the activities of the Office of Internal Oversight Services

Administrative and budgetary aspects of the financing of the United Nations peacekeeping operations

Report of the Office of Internal Oversight Services Part two:* peacekeeping operations

Summary

The present report is submitted in conformity with General Assembly resolution 48/218 B of 29 July 1994 (para. 5 (e)), resolution 54/244 of 23 December 1999 (paras. 4-5) and resolution 59/272 of 23 December 2004 (paras. 1-3). It covers peacekeeping oversight activities of the Office of Internal Oversight Services during the 18-month period from 1 July 2005 to 30 December 2006.

The Office of Internal Oversight Services issued more than 170 oversight reports related to peacekeeping, which accounted for over 50 per cent of all recommendations put forward during the period. In many of the reports the Office noted a breakdown in one or several components of internal control or a total disregard for controls. Programme managers have accepted the majority of the recommendations and have initiated action to rectify the weaknesses.

While inspection and evaluation resources dedicated to peacekeeping remained flat during the present reporting period, there was an increase in resources for both audit and investigations, which enabled the Office of Internal Oversight Services to perform additional oversight work. The establishment of the Procurement Task Force in January 2006 further helped to identify significant waste, abuse, negligence and other forms of mismanagement, as well as fraud, in the establishment and execution of a number of high-value contracts between the Organization and various vendors who provided goods and services to United Nations peacekeeping missions.

* Part one of the report and addenda (A/61/264 (Part I) and Add.1; and Add.2) were issued on 15 August and 29 September 2006 respectively.

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Highlights of the report include the following:

Integrity violations. The Office of Internal Oversight Services investigated a broad range of integrity violations in peacekeeping operations. In two separate cases, the Office substantiated allegations that military contingent members had sexually abused under-age girls. Office of Internal Oversight Services investigations during the period also substantiated evidence of gross negligence, corruption and serious mismanagement at some peacekeeping missions.

Procurement. Audits and investigations identified serious deficiencies in procurement management, systems and process in peacekeeping operations, including serious weaknesses in internal controls and inadequate managerial accountability. The Procurement Task Force issued 11 reports detailing significant findings of waste, abuse, negligence and other forms of mismanagement, as well as fraud.

Preface

I am pleased to submit to the General Assembly the first Office of Internal Oversight Services annual report dedicated to peacekeeping activities. The report covers the period from 1 July 2005 to 31 December 2006 and sets out the Office of Internal Oversight Services' major findings in peacekeeping operations during the period.

A report dedicated to United Nations peacekeeping operations is required given the size and magnitude of those operations and the extent of the Office's involvement in the oversight of the Department of Peacekeeping Operations.

Looking back over the past 18 months and the more than 170 reports that the Office of Internal Oversight Services issued on peacekeeping activities, one management shortcoming appears noticeable, namely the absence of a robust internal control framework that sets out management's responsibility for, among other things, the control environment, risk assessment and control activities. As highlighted in the present report, there have been multiple instances in which a breakdown of the internal control system has exposed the Organization to unnecessary risk and, in some cases, has facilitated the mismanagement and misuse of resources.

Adverse working conditions or difficult operational conditions are often cited as reasons for poor internal controls, reasons that the Office of Internal Oversight Services cannot accept. The high risks inherent in field environments necessitate stronger internal controls and even greater scrutiny to help the Organization to guard against the types of mismanagement and misuse of resources referred to in the present report.

During the reporting period, considerably more resources were dedicated to oversight of peacekeeping activities, largely through the support of the Assembly. This has enabled the Office of Internal Oversight Services to place more staff in the field, which I feel has contributed to its ability to respond more effectively to increased oversight requirements. During the period the Office has also made significant progress towards achieving its goal of a fully risk-based workplan by 2008, which will allow it to better identify the areas of peacekeeping operations that require greater scrutiny.

I wish to underscore the importance of expeditious implementation of recommendations to reduce the United Nations' risk of exposure to losses and waste. While in many cases programme managers have begun to take corrective action, peacekeeping operations remain vulnerable until recommendations are fully implemented.

In conclusion, the Office of Internal Oversight Services feels there is good progress towards achieving the required coverage for oversight of peacekeeping operations. I believe that while the management response, as evidenced by the implementation rate for recommendations, is showing a positive trend, there is still much room for improvement to further reduce the risk of exposure to losses and waste. I also wish to reiterate that a fully functioning internal control framework is a critical component for assurance and accountability, and I look forward to seeing the implementation of such a framework as soon as possible.

(*Signed*) Inga-Britt **Ahlenius**
Under-Secretary-General for Internal Oversight Services

23 February 2007

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I. Introduction

1. During the period 1 July 2005 to 31 December 2006, the Office of Internal Oversight Services (OIOS) issued over 170 oversight reports related to peacekeeping operations. The recommendations issued in those reports represent over 50 per cent of all OIOS recommendations issued during the reporting period. The present report highlights only the areas OIOS deems of most concern to the Organization.[1] The annex provides a review of the OIOS methodology for the allocation of resident auditors to peacekeeping missions, as requested by the General Assembly in its resolution 60/268.

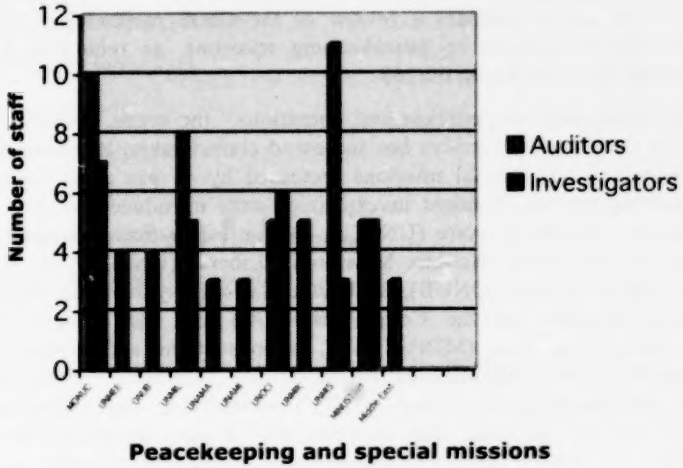
2. With the rapid surge in peacekeeping operations,[2] the scope of work of the Office of Internal Oversight Services has increased considerably. Resident auditor staff in peacekeeping and special missions increased by 45 per cent[3] during the 18-month reporting period. Resident investigators were introduced to the United Nations Operation in Côte d'Ivoire (UNOCI), the United Nations Mission in the Sudan (UNMIS), the United Nations Mission in Liberia (UNMIL), the United Nations Operation in Burundi (ONUB), the United Nations Organization Mission in the Democratic Republic of the Congo (MONUC) and the United Nations Stabilization Mission in Haiti (MINUSTAH). In inspections and evaluations, a review of approach and methodology is under way to ensure comprehensive coverage of peacekeeping operations. OIOS headquarters staff dedicated to peacekeeping oversight activities also increased by 32 per cent during the same period. The figure shows the number of resident auditors and investigators assigned to peacekeeping and special political missions as of 31 December 2006.

[1] Although a waiver of page limitations requested by OIOS was granted, OIOS is in general disagreement with those limitations, as they infringe upon the Office's independence in terms of reporting to the Assembly.

[2] The total peacekeeping budget, including the United Nations Logistics Base and the support account, increased from $2.7 billion in 2001/02 to $5 billion in 2005/06 (A/60/727).

[3] The increase occurred between 30 June 2005 and 31 December 2006, including all categories of staff.

Figure 1
Office of Internal Oversight Services resident oversight staff
(as of 31 December 2006)



Risk assessment of peacekeeping operations

3. As part of the goal of achieving a fully risk-based workplan by 2008,[4] OIOS, with the assistance of a consulting firm, conducted a risk assessment of the Department of Peacekeeping Operations and selected peacekeeping missions (AP2006/600/14)[5] in early 2006. The endeavour was instrumental is assisting OIOS to better identify the high-risk areas for review and consequently to ensure that the findings represented in the present report refer to some of the highest-risk areas that should be addressed.

Comprehensive audits related to peacekeeping

4. In its resolution 59/296 of 22 June 2005, the General Assembly requested the Office of Internal Oversight Services to conduct a comprehensive management audit of the Department of Peacekeeping Operations. OIOS reported its findings to the Assembly (A/60/717), which were consolidated from the following audit reports: procurement (AP2006/600/20), financial and budget management (AP2006/600/19), human resources management (AP2006/600/18), information and communication technologies (AP2006/600/17), integrated mission planning (AP2006/600/15), substantive operations (AP2006/600/16) and best practices (AP2006/600/23). In addition, pursuant to the same resolution, OIOS will provide to the Assembly, for its consideration at the second part of its sixty-first session, a separate report dealing with the Department's management structures. Overall, the audit concluded that the

[4] OIOS assignments will be selected and prioritized based on the level of risk they pose to the Organization.

[5] Denotes the symbol assigned to the report submitted to the programme manager.

Department's management structures must ensure that operational and management processes are fully integrated with a strong internal control framework, and supported by effective governance and accountability mechanisms. The audit also pointed out serious weaknesses in internal control and inadequate managerial accountability for administrative and logistical support functions, as identified in prior OIOS audits. No systematic risk management mechanism had been developed as part of an overall internal control framework, and the monitoring of the Department's subprogrammes by the Office of the Under-Secretary-General, Department of Peacekeeping Operations, needed major improvement. The Office of Internal Oversight Services, however, noted that the Department had already made efforts to improve its management structures. The Department's reform programme, Peace Operations 2010, launched in 2005, included many initiatives to improve its management structures in such key areas for change as people, doctrine, partnerships, resources and organization.

5. Pursuant to General Assembly resolution 60/255, OIOS conducted an audit of the Department of Political Affairs' ability to manage and direct special political missions, with a view to ensuring the efficient use of post and non-post resources (A/61/357). Overall, OIOS found a high risk of duplication and overlap regarding the functions of the regional divisions of the Department of Political Affairs and the Office of Operations of the Department of Peacekeeping Operations.[6] During the period 2007-2009 OIOS will carry out comprehensive audits of all special political missions. The audits will assess the appropriateness of the internal controls in budgeting and finance, human resources management, asset management, programme administration and other areas relating to operations of special political missions.

Internal control and accountability

6. Peacekeeping activities are subject to difficult operational circumstances and unforeseen challenges. Such conditions increase the Organization's exposure to risk and make it crucial for an effective internal control framework and accountability mechanisms to be in place. OIOS has in several instances pointed out that the control environment, that is, the tone at the top and commitment to strong controls and ethics, is the foundation and the most important component of internal control. Challenging operational realities cannot be used to justify a weak control environment. Inefficient and weak internal controls expose the Organization to misuse of funds and even fraud and corruption. In many peacekeeping audits and investigations conducted over the past 18 months, OIOS noted a breakdown in some components of internal control, including, in the worst cases, a total disregard for controls on the part of some senior managers. An internal control framework emphasizing accountability and ethical behaviour in conformity with the Charter of the United Nations, which requires that staff members act in the best interests of the Organization, are the best guarantee for effective and efficient use of resources.

7. The audit and investigation reports issued during the period highlighted serious weaknesses in internal control, waste, abuse, negligence and other forms of mismanagement, as well as fraud. While in some cases administrative and disciplinary action has been swift, in the opinion of the Office of Internal Oversight

[6] Since January 2005, the Department of Peacekeeping Operations has been providing administrative and logistical support to special political missions.

Services, programme managers have not been consistent in applying the standards to which they hold staff accountable. OIOS is very concerned that following the issuance of the Procurement Task Force reports in September and October 2006, management action has not been taken in the case of four individuals against whom there were adverse findings (two of whom were part of the eight staff members placed on special leave with full pay in 2006). OIOS stresses that prompt action is required to ensure that the implicated individuals are held fully accountable and that the Organization is fully committed to root out mismanagement and corruption. OIOS is also very concerned that the Organization lacks effective policies and procedures to discourage vendors from participating in fraudulent activities and encourage them to cooperate with OIOS investigations. The existing vendor suspension and removal process is weak and unfocused and exposes the Organization to conflicts of interest since the United Nations Procurement Service manages the process. The Procurement Task Force has reported instances in which vendors have committed acts of fraud or impropriety in several peacekeeping missions, but information about the misconduct has not been shared between missions. More specifically, the Task Force has identified some vendors that acted improperly in one mission and that thereafter engaged in the same misconduct in other missions. Communication between missions and between missions and the Procurement Service has been lacking. Further, there have been instances in which the Task Force has found vendors to have engaged in misconduct and/or unlawful activity and thereafter to have gained further business with the Organization, both directly and indirectly. For example, there have been circumstances in which a vendor that has committed fraud against the Organization has later gained business with the Organization as a subcontractor for a separate vendor who had been awarded the contract by the Procurement Service after a competitive bidding exercise. In such instances, the selected vendor simply assigned the contract to the prohibited vendor, and the prohibited vendor performed under the contract as if it was originally awarded the contract in the first instance. Such weaknesses, shown in recent highly visible cases, contributed significantly to delays in debarring vendors who had engaged in corrupt practices, exposing the Organization to further losses of its assets and negatively affecting its reputation. The debarment of the above-mentioned vendors resulted primarily from compelling evidence provided by OIOS and media publicity surrounding the cases, not from a proactive and bold anti-corruption policy.

II. Oversight results by risk area

A. Integrity violations

8. During the reporting period, OIOS investigated a broad range of integrity violations in peacekeeping operations, including mismanagement, embezzlement, and sexual exploitation and abuse. Of particular concern were allegations related to sexual exploitation and abuse, expressly prohibited in ST/SGB/2004/13,[7] which

[7] ST/SGB/2003/13 defines sexual exploitation as "any actual or attempted abuse of a position of vulnerability, differential power, or trust, for sexual purposes, including, but not limited to, profiting monetarily, socially or politically from the sexual exploitation of another". Sexual abuse is defined as "the actual or threatened physical intrusion of a sexual nature, whether by force or under unequal or coercive conditions".

represented nearly one third (463) of all allegations received by OIOS during the period.

9. As of 31 December 2006, 30 of the 463 sexual exploitation and abuse allegations received by OIOS had been fully investigated and reports issued to the Department of Peacekeeping Operations. A total of 203 remain under investigative status. A further 74 cases were referred to the Department for its review and action. As per the OIOS mandate, in 54 cases where evidence was not found to support the allegation, the subject of the inquiry was cleared of any wrongdoing. In one case, the complaint was withdrawn upon the Office's checking with the complainant. The remaining 101 sexual exploitation and abuse matters were as follows: advisories to programme managers; insufficient information for investigation; allegations that were similar to other matters and thereby merged with existing cases; or those that were overtaken by events, such as a significant time period elapsed between the alleged act and its reporting, thereby rendering investigation impossible. An additional three sexual exploitation and abuse investigation reports were issued during the period, involving allegations from the previous reporting period. Some of the cases arising from allegations received during the period are described below.

Sexual abuse and exploitation

10. In UNMIL (0706/05), the Office of Internal Oversight Services substantiated allegations of prima facie evidence that a military contingent member had sexually abused an under-age girl. OIOS recommended that the Department of Peacekeeping Operations refer the case to the national authorities of the concerned troop-contributing country for criminal action against the military contingent. The Department followed up on the case with the relevant permanent mission to the United Nations on several occasions; however, to date, an adequate response, consistent with the evidence of the case, has not been received.

11. In MONUC (0635/05), OIOS substantiated allegations that a military contingent member had sexually abused an under-age girl, which resulted in the birth of a child. OIOS has also investigated similar allegations involving another girl and a member of the same military contingent; however, that allegation could not be substantiated because the alleged victim could not be located. Both cases revealed evidence of improper conduct on the part of the contingent Commander of the respective military contingent members, in that he had provided financial and subsistence support to the families of the two girls for more than seven months. Through those actions, OIOS inferred that the Commander hoped to minimize any complaints made by the family as to the sexual exploitation of the local girls. OIOS recommended, through the Department of Peacekeeping Operations, that the concerned troop-contributing country take appropriate action, including action against the Commander.

12. In UNMIS (0416/05), OIOS substantiated allegations that a staff member responsible for monitoring the performance of a service contractor had sexually exploited and abused four women formerly employed by the contractor. Similarly, OIOS substantiated allegations that the same staff member had harassed other females employed by the same contractor. All OIOS recommendations in the case were accepted and implemented by the Department.

13. In UNOCI (0298/05), OIOS found that several staff officers from different national contingents had brought females, including prostitutes, to a hotel used as

the mission force headquarters, contrary to mission instructions. The investigation also found that military management had failed to create an environment that prevented military personnel from engaging in conduct that was, or could be, reasonably construed as sexual exploitation and abuse. Contributing to the lax control environment were ambiguous command memoranda and serious deficiencies in security controls that allowed non-United Nations female personnel entry to the force headquarters, presenting a significant security risk to United Nations personnel and assets. The Department implemented all OIOS recommendations in the case.

14. OIOS believes that curbing the instances of sexual exploitation and abuse by United Nations peacekeeping personnel requires a collaborative effort by all stakeholders. Individual troop-contributing countries must ensure that all personnel are fully aware of their responsibilities towards host country nationals. OIOS also believes that the United Nations family must make a greater effort to address the dire economic and social conditions in which vulnerable persons live in areas where many of the peacekeeping missions are located. The OIOS recommendation in this case was accepted and implemented by the Department.

15. The Internal Audit Division of the Office of Internal Oversight Services also reviewed the state of discipline in a global audit of field missions led by the Department of Peacekeeping Operations to obtain an understanding of the environment in which gross violations of United Nations standards of conduct occurred and to assist senior management in the Department in determining a course of action to strengthen the Organization's standards of conduct and ensure full compliance (see A/60/713). OIOS acknowledges that the Department and the Office of Human Resources Management of the Department of Management have already implemented a number of OIOS recommendations resulting from that review. For example, the Department of Peacekeeping Operations established conduct and discipline teams at Headquarters and in 12 field missions. The teams' mandate covers the oversight of conduct and discipline matters in peacekeeping to ensure compliance with United Nations standards of conduct by all peacekeeping personnel. The teams are an important tool to ensure that mission management is informed of relevant developments in the Mission on conduct and discipline matters. In addition the teams provide policy guidance and technical advice in the creation and implementation of training to strengthen the capacity of missions to address misconduct, in particular sexual exploitation and abuse.

16. The Department of Peacekeeping Operations, the Office of Human Resources Management and the OIOS Investigations Division are developing various training programmes, including modules on the code of conduct, on the prevention of sexual exploitation and abuse and on investigative techniques. To date, training modules 2 and 3 of a mandatory training programme on the prevention of sexual exploitation and abuse, aimed at mid-level managers and military commanders, have been completed. The modules are being reviewed by conduct and discipline teams and the Integrated Training Service of the Department of Peacekeeping Operations prior to their finalization by 30 March 2007.

17. OIOS will continue to undertake investigations into the misconduct, in particular in cases of sexual exploitation and abuse, reported in peacekeeping missions and will offer recommendations for sanctions and policy changes where practical. However, it is vital that all stakeholders address their own accountability

in this area to ensure behavioural change and a reduction in the abuse of vulnerable persons.

Mismanagement

18. In the United Nations Office in Timor-Leste (UNOTIL) (ID 645/05), OIOS conducted an investigation into allegations of serious mismanagement of the assets stored in the communication and information technology warehouse in Dili. The evidence adduced by the investigation confirmed gross negligence and serious mismanagement on the part of the communication and information technology service asset manager and highlighted the lack of supervision and oversight by the service's line managers, leading to a loss of United Nations property with a total value of some $249,000. OIOS recommendations to the Department, including seeking reimbursement from the managers concerned and taking appropriate action against responsible mission staff, are in various stages of implementation.

19. In another investigation into mismanagement, the United Nations Interim Force in Lebanon (UNIFIL) (ID 261/05) OIOS found that senior officers of the contingent of one troop-contributing country, including the Commanding Officer, had put into place a system whereby they fraudulently overstated their fuel requirements by making false statements about their travel activity and forging data about fuel consumption by generators. The senior officers then sold the excess fuel thus generated to local buyers. They also sold United Nations rations to local shops and supermarkets, using local and contingent interpreters as middlemen. In a separate finding, documents obtained by OIOS showed that the same battalion used only twenty per cent of their serviceable vehicles, though the United Nations reimbursed the Government of the troop-contributing country for maintaining the entire fleet of vehicles in a serviceable condition, thus inflating the reimbursement by the United Nations to five times the amount that was actually necessary. The investigation concluded that the estimated loss incurred by the United Nations as a result of the above illegal activities was $1.5 million. Evidence was also obtained to support findings that one military officer of the same battalion had violated the national law of his country by taking bribes in his official capacity as a member of the selection panel in assigning posts to troops wishing to join the contingent. OIOS recommended that the Department ensure that the troop-contributing country take appropriate action against the officers concerned. Furthermore, OIOS recommended that the Department ensure that the officers concerned not be assigned to peacekeeping missions in the future and that appropriate action be taken against the contingent interpreters. The Department has implemented the majority of the OIOS recommendations issued in the case and, in particular, has repatriated the entire contingent from the Mission and has sought follow-up action against the senior officers from the concerned troop-contributing country.

20. Fuel management is a major risk area for the Organization, and pursuant to General Assembly resolution 60/259, OIOS conducted an audit of fuel management in 10 field missions.[8] The results of the audit will be summarized in a separate report to the General Assembly in the second part of the resumed sixty-first session.

[8] The 10 field missions were MINUSTAH, MONUC, ONUB, the United Nations Assistance Mission in Afghanistan (UNAMA), the United Nations Assistance Mission for Iraq (UNAMI), the United Nations Mission in Ethiopia and Eritrea (UNMEE), UNMIK, UNMIL, UNMIS and UNOCI.

Investigations Task Force at the United Nations Interim Administration in Kosovo

21. The Investigations Task Force, a tripartite group comprised of OIOS, the European Anti-fraud Office (OLAF) and the Financial Investigations Unit of the United Nations Interim Administration Mission in Kosovo (UNMIK), is mandated to conduct investigations of publicly owned enterprises in Kosovo (Serbia). During the reporting period, task force investigations focused on fraud and corruption in the energy sector in Kosovo. Specifically, 13 fraud and corruption matters were identified at the Kosovo Electricity Company (KEK) for investigation. Three of those cases (see below) were provided to the Special Representative of the Secretary-General for his approval of the referral and for onward transmittal to the UNMIK Department of Justice for criminal investigation. Another case was referred to the European Union (EU) as it involved a staff member of the EU. Nine cases are under investigation. UNMIK has confirmed that the Special Representative approved and transmitted the three Investigations Task Force cases on KEK to the UNMIK Department of Justice for judicial action in December 2006.

22. The three cases referred to the Special Representative are as follows:

- Approximately $5.5 million of UNMIK and EU funds for the purchase of electricity from abroad were diverted to other bank accounts controlled by third parties.
- Unexplained transactions of more than $1.3 million (one million Euros) were identified in the account of a KEK employee with a regular monthly salary of less than one thousand dollars.
- Conditions exceedingly unfavourable to KEK in an agreement relating to the refurbishment of a hydropower station and the buy-back of energy between KEK and a Member State company were identified.

B. Procurement

23. Audits and investigations of procurement have identified serious deficiencies in procurement management, systems and processes. As a consequence of the report of the Independent Inquiry Committee on the oil-for-food programme and of the arrest and conviction of a United Nations procurement officer, a task force was established (see A/61/264 (Part I), para. 55) to investigate wrongdoing in all procurement matters wherever the Organization is engaged. Unless procurement recommendations are addressed with paramount concern, millions of dollars remain at high risk of misuse and waste.

24. Several of the cases mentioned in the present section are still under consideration by the Office of Human Resources Management. Where applicable, OIOS has made a special note of those cases. The staff members concerned should not be judged responsible until the matter has been fully adjudicated within the Organization's system of justice.

Procurement Task Force

25. Since June 2006, the Procurement Task Force has issued 11 reports. The reports detail significant findings of waste, abuse, negligence and other forms of

mismanagement, as well as of fraud, in the establishment and execution of a number of high-value contracts between the Organization and various vendors to provide goods and services to United Nations peacekeeping missions. The contracts directly involved the following missions: the United Nations Mission in Ethiopia and Eritrea (UNMEE), UNMIS, UNMIL, MONUC, the United Nations Transitional Administration in East Timor (UNTAET), MINUSTAH and others. The Task Force has identified significant waste and/or fraud caused by the action of vendors and their agents and representatives, negligence, abuse and other forms of mismanagement, as well as some acts of fraud by certain officials within the Organization.

26. The Task Force initially focused its resources on investigating eight staff members placed on special leave with full pay in January 2006. The Task Force has issued nine reports pertaining to the eight staff members. Four of them served in peacekeeping missions; the others held responsibilities that included procuring goods and services for peacekeeping missions. The Task Force has recommended that three of the eight staff members be cleared of claims of wrongdoing, that one be referred for criminal prosecution and that the Organization address the issue of accountability for the other four for breaches of rules, and/or other forms of mismanagement. The staff member whose case was referred for criminal prosecution has since been dismissed by the Organization. The status of the four remaining staff members is still under consideration at the time of the present report.

27. The significant cases investigated by the Task Force are described below.

28. The Task Force continues to focus on a matter identified in the OIOS audit concerning the procurement of an air services contract for UNTAET in 2000 (PTF 6/06). The Task Force identified the existence of a scheme in which individuals presenting themselves as representatives of the vendor steered the contract to individuals who proceeded to overcharge the Organization for various services and to bill the Organization for services in fact not rendered. Considerable effort by the Task Force was exercised in this matter, which resulted in the identification of a sophisticated scheme to divert monies paid by the Organization by a circuitous route through various financial institutions throughout the world. The Task Force has identified false and fraudulent documents submitted to the Organization to justify the overpayment of at least $1.4 million in connection with the air services contract. It also found that two senior officials of the United Nations failed to exercise proper scrutiny of the transaction. Officials of the Member State concerned have indicted four individuals in the scheme. The Task Force has been unable to conclude the matter owing to the absence of the power to compel Member States to assist in the investigation.

29. Following another investigation, the Task Force issued a report dated 27 July 2006 (PTF 26/06) pertaining to one of the eight staff members mentioned above, which identified an extensive scheme by agents and representatives of a large telecommunications firm to defraud the Organization. The scheme was established by the company and its agents, and with the assistance of a United Nations Procurement Officer. The Task Force investigation found that the Procurement Officer had engaged in a series of unauthorized acts in an effort to provide the company with an advantage in the procurement exercises and deflect criticism of the company when allegations of corruption and mismanagement surfaced. The Task

Force found that the Procurement Officer had favoured this company in a number of contracts with an aggregate value in excess of $100 million, including a $27 million contract to provide manpower support in the Organization's various missions. Further, the Task Force determined that representatives of the company repaid the Procurement Officer for his preferential treatment by providing him with two valuable pieces of Manhattan real estate worth in excess of $1.5 million at a price below market rate, and by bestowing other gifts upon him.

30. In response, the Organization charged the procurement official with misconduct and subsequently dismissed him. Several vendors identified by the Task Force that had engaged in misconduct and fraud were removed from the vendor roster. The Organization also referred the matter to the United States Attorney's Office for the Southern District of New York, which has charged the Procurement Officer with criminal offences. The prosecution was based principally on evidence and information gathered and reported by the Task Force. The vendor's principal agent pleaded guilty to the conspiracy identified by the Task Force, and was subsequently charged by the United States Attorney's Office for the Southern District of New York. The agent acknowledged in open court that he had provided the procurement official with the valuable real estate at a price below market rate in return for favourable treatment of the company by the Procurement Officer in the contract-bidding process.

31. The Task Force also reported in December 2006 (PTF 7/06) on significant corruption in the procurement of food rations for UNMIL and UNMEE, and found that the procurement exercises for those contracts were tainted by a well-planned scheme to steer the contract towards a particular vendor. The Task Force reported that a United Nations staff member helped the representative of the vendor and several of its officials to corrupt the procurement process through the replacement of bid pages of the company's proposal after the deadline and actual submission of the bids. The Task Force concluded that a procurement official provided the company with financial information from competing bids after the bids were submitted and closed, and that he allowed the company to lower its projected costs to win the contract bid. Once that bid was achieved, the procurement official permitted the company to amend the contract to reap additional sums of money unnecessarily and improperly.

32. The Task Force found that the above-mentioned criminal scheme was facilitated by the failure of a senior official and two other staff members in supervisory positions to exercise due care and specifically, to scrutinize contractual documents properly. The Task Force has recommended that appropriate action be taken by the Organization.

33. The Organization has since paid the company in excess of $130 million under the contracts, of which approximately $860,000 could be determined by the Task Force at present as financial losses. The Task Force has recommended that the Organization make a referral to prosecuting authorities in the United States of America, the United Kingdom of Great Britain and Northern Ireland and Italy and consider seeking civil damages. In an initial response, the Organization has suspended two companies from the vendor register.

34. In addition, the Task Force has focused a great deal of attention on several cases involving allegations of procurement irregularities in UNMIS (PTF 18/06, 29/06, 20/06). The Task Force has reviewed several procurement exercises and

found violations of procurement and financial rules by the Mission's staff, including the Mission's senior management, in the following instances: (a) the improper use of a contract to purchase fuel for a troop deployment, resulting in the Organization incurring an obligation of $1.3 million; (b) the purchase of a system of solar runway lights for a local airport; (c) another matter in which a scheme existed between an aviation officer, a procurement official and the Chief Executive Officer of a vendor to steer the solar runway lights contract (and other contracts) to the vendor; and (d) the purchase of other items for the Mission in breach of financial and procurement rules. The Task Force identified breaches of United Nations Regulations and Rules and/or other forms of mismanagement by four staff members, two of whom engaged in criminal acts and who have since left the Mission. Referral of these two former Mission staff members matter to prosecutorial authorities was recommended. The Task Force also identified significant waste of United Nations resources in the Mission. A later OIOS audit issued in October 2006 revealed several cases of mismanagement and waste, as well as fraud indicators to be further investigated by the Task Force (see paras. 33-38).

35. In response, the Organization has removed two vendors from the vendor register. The Organization continues to contemplate what action, if any, it will take against two senior staff members in the Mission who exercised supervisory roles in several of the matters in which failings were identified.

Procurement audits

36. In addition to UNMIS procurement irregularities brought to light by the Procurement Task Force, OIOS audits conducted during the period have identified serious weaknesses in UNMIS procurement management.

37. An audit of procurement management in UNMIS (AP2006/632/08) revealed serious control weaknesses and identified a number of potential fraud indicators as well as cases of mismanagement, wasteful expenditures, overpayments to vendors and questionable procurement practices. For example, the Mission followed the practice of soliciting bids from a short list of vendors, but the criteria for short-listing were often not transparent. Potential bidders were not given sufficient time to submit their bids, and the timelines for the submission of bids and proposals as indicated in the Procurement Manual were not being observed. Those practices restricted the competition and increased the costs to the Mission. For example, a $17 million contract for the supply of gravel was awarded on a "sole bid" basis at what appeared to be exorbitant prices.

38. The Mission incurred an estimated $1.2 million in unnecessary expenditures for hotel accommodations as a result of making block bookings of hotel rooms for military personnel and underutilizing them. Those expenditures could have been avoided or significantly reduced if the Mission had included an appropriate clause in the contract to allow UNMIS to cancel the booking for unwanted rooms by giving adequate prior notice.

39. The audit found that the Mission could enjoy cost savings of an estimated $9 million over a two-year period by obtaining a licence from the host Government for self-clearance of imported goods with the local customs authorities. However, to date, UNMIS has been unsuccessful in obtaining that clearance from the Government of the Sudan. In addition, control weaknesses in the administration of

contracts for inland transportation need to be addressed to avoid losses to the Mission through the use of uneconomical contractors.

40. Other cases of waste found by the audit included the unnecessary expenditure of $50,000 for the purchase of inferior or obsolete digital cameras, payment of $50,000 towards goods destroyed in transit while they were under the vendor's responsibility and the unnecessary expenditure of $57,000 for the lease of a warehouse that was never used.

41. The audit also identified a number of potential fraud indicators and cases of mismanagement and waste that required further examination through an in-depth inquiry to determine if fraud had occurred and to assign accountability for irregularities, waste and mismanagement. UNMIS accepted most of the OIOS recommendations and indicated that procurement planning had considerably improved and that controls had been strengthened to ensure compliance with established procurement procedures. UNMIS took immediate action to recover overpayments amounting to $315,000, based on the audit findings, from the concerned contractors. OIOS awaits further information from the Mission, the Department of Management and the Department of Peacekeeping Operations on the steps taken to address accountability for the irregularities, waste and mismanagement identified by the audit.

42. Following a horizontal audit of the management of rations contracts conducted in five peacekeeping missions,[9] (see A/60/346 and Corr.1), the Office of Internal Oversight Services conducted a subsequent audit of rations management at UNMIS (AP2005/632/04). OIOS found that the Mission had been receiving rations supplies from a vendor since May 2005, based on a letter of award for a proposed $201 million contract, even though a formal contract had not been signed at the time the audit ended in December 2005. In the opinion of OIOS, the absence of a formal contract exposed the Organization to significant risks of possible disputes and disagreements, with the resultant financial implications.

43. The audit also identified a number of issues that required follow-up by the Department of Management at the Headquarters level and by UNMIS at the Mission level. They include the following:

- An incorrect projection of the cost of water to be supplied under the rations contract was issued. More specifically, the Procurement Service's presentation to the Headquarters Committee on Contracts understated the commitment arising from the proposed rations contract by $17 million.
- UNMIS had agreed to allow a contractor to use UNMIS aircraft to deliver rations to the Mission. In turn, the contractor would charge the Mission a lower rate for the cost of the rations. However, the OIOS audit showed that the cost of the flights which took place between September and October when there were fuel shortages in Sudan, was greater than the revised cost of the rations by $297,000.
- The delay of four months in testing and certifying the suitability of water produced by a contingent's water purification plant resulted in avoidable expenditures amounting to $963,000 paid to a contractor. The Department of

[9] MONUC, the United Nations Mission in Sierra Leone (UNAMSIL), UNMEE, UNMIL, the United Nations Mission of Support in East Timor (UNMISET).

Peacekeeping Operations commented that an UNMIS inquiry into this matter concluded that the troop-contributing country should reimburse the cost incurred by the Mission.

- The Mission paid $839,000 to the vendor for warehouse operations even though the warehouses were neither complete nor operational.
- Poor storage of composite rations packs obtained from UNMEE and the United Nations Logistics Base (UNLB) resulted in a loss of $105,000. Overpayments of $34,000 were also made to the supplier owing to computation errors.

44. UNMIS accepted most of the OIOS recommendations and initiated action to implement them. However, a number of critical recommendations were not accepted by the Mission and by the Department of Management. OIOS has reiterated those recommendations and continues to pursue them.

45. The OIOS audit of procurement in MINUSTAH (AP2004/683/02) identified 12 procurement actions involving a total expenditure of $9.1 million, including six cases for leasing premises to accommodate troops, office space and warehouse facilities at a cost of $6.35 million, that were not carried out in accordance with established procurement procedures. Requisitioning officers performed purchasing activities without involving the MINUSTAH Procurement Section, in breach of the delegation of authority for procurement which is based on the segregation of requisitioning and purchasing functions. The preceding cases were also characterized by the lack of competitive bidding, which increased the risk of uneconomical purchases and fraudulent activities. MINUSTAH subsequently took a number of steps to strengthen internal controls and ensure that procurement actions were undertaken in conformity with the provisions of the Procurement Manual.

46. In UNOCI (AP2005/640/03), the lack of a formal acquisition plan for the Mission contributed to a number of problems such as ex post facto submission of procurement actions for review by the Local Committee on Contracts, excessive use of "immediate operational requirement" requests and direct purchases without competitive bidding. Contract awards were split with a view to keeping the dollar amount below the level that would require submission to the Committee, which not only violated the delegation of procurement authority but also compromised the Committee's oversight role. Internal controls in the area of contract management need to be strengthened to ensure that the contract ceiling is not exceeded without prior authorization. Many of the above problems were attributable to the difficulties experienced in filling critical posts. UNOCI subsequently initiated remedial measures to address the weaknesses identified by the audit.

47. An audit of procurement at UNAMI (AP2005/812/01), showed that the Mission failed to exercise due care while developing solicitation documents and evaluating the technical and financial proposals, and in dealing with the best and final offers. OIOS attributed those problems to the lack of qualified procurement staff in the Mission and to limited support provided by the United Nations Procurement Service, in this case due to resource constraints. The Mission also failed to seek the prior clearance of the Assistant Secretary-General for Central Support Services as the authorized official through the Committee on Contracts before entering into the contract. In addition, major violations of established procurement procedures in the procurement of T-wall barriers for the Mission's

premises in Baghdad, involving a $793,000 contract with a vendor whose credentials were subsequently found to be questionable. OIOS made a number of recommendations to strengthen the procurement process, which were accepted by UNAMI and are being implemented.

48. In ONUB (AP2005/648/09), OIOS found that an external consultant had been assigned the regular functions of a Chief Procurement Officer. That individual had been representing the Mission on procurement-related matters, supervising staff members, and signing contracts, in contravention of rule Nos. 105.4 and 105.5 of the Financial Regulations and Rules of the United Nations as well as of ST/AI/1999/7 governing the use of individual contractors and consultants. The Mission subsequently appointed a United Nations staff member as its Chief Procurement Officer and implemented necessary measures to address the other problems identified by the audit, such as the following: (a) establishing a vendor review committee; (b) preparing annual procurement plans; (c) using generic specifications instead of brand names in requisitions; and (d) strengthening internal controls to ensure that the use of expedited procurement procedures was restricted to exigencies.

Compliance with bid-opening procedures

49. OIOS quick-impact audits in 10 field missions (AP2006/683/12, AP2006/620/16, AP2006/648/12, AP2006/812/07, AP2006/654/04, AP2006/624/11, AP2006/650/12, AP2006/626/19, AP2006/632/12 and AP2006/640/16)[10] showed a low level of compliance with the established bid-opening procedures as set out in the Procurement Manual. Such non-compliance increases the risk of irregularities and compromises the integrity of the bidding process. Common weaknesses found among the 10 missions included the following: (a) the lack of an adequately secured area for the receipt of bids; (b) failure to consistently establish tender opening committees; (c) the date and time of the receipt of bids were not always retained on file; and (d) the inconsistent use of the solicitation abstract sheet for recording the bids. The audits also indicated the need for improved filing systems to enable easy retrieval of procurement files. All missions covered by the audits have already started implementing measures to rectify the deficiencies noted in the bid-opening process.

C. Asset management

50. Asset management is an important support function that enables peacekeeping activities to be carried out effectively and efficiently. Audits in logistics and property management issued several recommendations to make improvements in the use of the Organization's assets.

Strategic deployment stocks

51. The audit of the strategic deployment stocks (AP2004/600/02) in the Department of Peacekeeping Operations highlighted several programme weaknesses, including the following:

[10] The 10 field missions were MINUSTAH, MONUC, ONUB, UNAMI, the United Nations Peacekeeping Force in Cyprus (UNFICYP), UNMEE, UNMIK, UNMIL, UNMIS and UNOCI.

- Policies and procedures for managing strategic deployment stocks were not updated and adjusted in a timely manner. For example, the accounting guidelines for the stocks were issued two years after the concept's launch, resulting in the incomplete recording of transactions and an additional workload for maintaining, updating and reconciling the records of the stocks.

- Galileo, a $3.4 million automated inventory system, did not track the deployment, replenishment and reconfiguration of the strategic deployment stocks and was not integrated with the accounting and procurement systems. The Department noted that the Galileo system tracked the movements and physical status of the stocks and that an interim tracking tool had been developed to monitor their replenishment. Based on the experience gained with that tool, user requirements had been drawn up and presented to the Galileo Development Group to assist in developing a new Galileo module to centrally monitor and account for strategic deployment stocks.

- Neither performance indicators nor evaluation tools were developed to measure the effectiveness of the deployment of strategic deployment stocks.

The Department accepted the OIOS recommendations and initiated action to implement them.

Property management

52. An audit of property management at the United Nations Peacekeeping Force in Cyprus (UNFICYP) (AP2006/645/01) found that the Mission needed to strengthen the existing systems and procedures to ensure accountability for assets and the reliability of data in Galileo. In the absence of an established mechanism to coordinate the accounting of assets held at various user locations, there were discrepancies between asset records and the results of annual physical verifications. Furthermore, the disposal module of the Galileo system had not yet been implemented, and the field assets control system (which was a precursor to Galileo) was being used for processing asset disposals. UNFICYP indicated that the deficiencies in Galileo were being addressed in consultation with the Department of Peacekeeping Operations and the United Nations Logistics Base in Brindisi. According to the Department, the Galileo write-off disposal module was subsequently implemented in UNFICYP, in November 2006.

D. Human resources management

53. The Office of Internal Oversight Services considers human resources management to be an important area as it directly affects the lives and interests of staff members. Past oversight activities have identified a number of risks in this area. For example, staff rules and regulations can be subject to misinterpretation; staff entitlements have proved vulnerable to fraud; and recruitment practices have, in a number of cases, been deemed by OIOS to be biased and even mismanaged. The Department of Peacekeeping Operations stated that it shared the views of OIOS regarding the importance of and the risks inherent in human resources management. To help mitigate those risks, the Department has taken such steps as introducing a section for quality assurance and information management.

Mission appointments through the Department of Peacekeeping Operations Succession Planning Panel

54. The audit of mission appointments (AP2006/600/09) found that the Succession Planning Panel, which was established by the Department of Peacekeeping Operations in 2004 to review the skills, competencies and experience of each candidate for key administrative positions in field missions, could be used as an effective mechanism for the technical clearance of senior mission support staff appointments. However, the Panel does not appear to be as effective as it could be. For example, documentation has been insufficient, and the Panel recommended only one candidate for mission selection in 84 of the 104 cases processed in 2004 and 2005. According to the Department, its ability to present more than one candidate for senior support positions was severely hampered by the lack of qualified and experienced expert staff within the Organization to fill such positions. The Department of Management and the Department of Peacekeeping Operations have not ensured the consistency, timeliness and adequate documentation of the required designation of staff with significant fiduciary responsibilities for new posts. The Department of Peacekeeping Operations indicated that the lack of documentation does not signify the presence of bias or mismanagement in the selection of candidates. Nevertheless, both departments are in the process of implementing OIOS recommendations related to the Succession Planning Panel.

Mission subsistence allowance rates

55. Pursuant to General Assembly resolution 59/296, which requested the Secretary-General to ensure that OIOS continues to audit mission subsistence allowance rates to ensure their reasonableness in comparison with the actual subsistence costs in the various mission areas and with the daily subsistence allowance set by the International Civil Service Commission in the same areas, OIOS conducted an audit of mission subsistence allowance rates (AP2006/600/10). The audit found that there was no clear policy or set of procedures identifying Department of Management and Department of Peacekeeping Operations responsibilities or mechanisms for monitoring the mission subsistence allowance process. In the opinion of OIOS, the Department of Peacekeeping Operations should be responsible for monitoring the use of established mission subsistence allowance rates to ensure compliance with applicable policies and procedures, as it provides the administrative support to all peacekeeping and special political missions. The Department of Management and the Department of Peacekeeping Operations accepted all recommendations.

Recruitment of field staff

56. OIOS audits of vacancy rates in MONUC, ONUB and UNMIL found that delays in the recruitment of international staff were mainly attributable to the time taken by the Department of Peacekeeping Operations' Personnel Management and Support Service to identify suitable candidates and deploy them to missions. In MONUC, for example (AP2005/620/04), the vacancy rate of international staff was consistently above 30 per cent, and the average time taken for filling a vacancy was approximately 200 days. In ONUB (AP2005/648/10), six critical posts (including the posts of Chief Security Officer, Chief Public Information Officer and Chief Procurement Officer) had remained vacant since the Mission's inception in 2004

and had not yet been filled as of June 2005. The Mission also had difficulties in filling the posts of national professional officers.

57. In UNMIL (AP2005/626/08), there were considerable delays at the Mission level in acting upon the shortlists of candidates received from the Personnel Management and Support Service, and requests for filling 10 critical vacancies were initiated by the Mission only in January 2005 even though the Mission was established in September 2003. In the absence of documentation concerning the comparative analysis of the candidates' qualifications, there was insufficient evidence of transparency and objectivity in the selection decisions made by programme managers. The Mission agreed to implement appropriate remedial measures. The Department of Peacekeeping Operations also commented that it had undertaken a number of initiatives to better manage the recruitment and staffing processes.

Casual daily workers

58. Casual daily workers in MONUC (AP2005/620/18) assisted the Mission in meeting their operational requirements for unskilled and semi-skilled labour on a regular basis. However, the employment of casual daily workers for prolonged periods violated the applicable local labour laws as well as United Nations guidelines. The Mission is in the process of reviewing a number of options for outsourcing labour services and minimizing the use of casual daily workers.

E. Programme and project management

59. In recent years the range of peacekeeping activities has expanded from military operations to other substantive areas, including civil and political affairs, rule of law, human rights and humanitarian activities. Inspections and audits in programme and project management highlighted areas to help programme managers to plan and deliver programmes in the most effective way.

Disarmament and demobilization programmes

60. During the period, OIOS conducted audits of disarmament and demobilization programmes in UNMIL and MONUC. In UNMIL (AP2005/626/07), the audit revealed weaknesses in internal controls, such as inadequate control over programme assets and payments of transitional safety allowances, and in monitoring and evaluation systems. UNMIL has agreed to implement the recommended measures to strengthen identified weaknesses. In MONUC (AP2005/620/08), OIOS identified additional weaknesses, including the following: (a) the ad hoc manner in which the Mission developed its plans (which had never been approved by the Head of Mission); (b) the lack of a systematic and structured approach to coordinating disarmament and demobilization activities with other sections and components within the Mission; (c) the lack of plans and resources for the public information component of the programme; and (d) the need for an evaluation of the programme which had been in operation for more than three years. MONUC did not accept most of the OIOS recommendations, generally asserting that existing practices were adequate and that the OIOS proposed oversight structure for disarmament and demobilization was not effective. OIOS has reiterated the recommendations and continues to pursue them.

Trust funds

61. Trust funds in UNAMA (AP2005/630/08) had received contributions totalling $35 million from various donors for implementing projects relating to emergency relief, recovery and reconstruction in Afghanistan. By the end of June 2005, the Mission had spent $22 million on 150 projects, of which 78 were completed and 69 were ongoing, while three projects had been terminated. The audit made recommendations for improving the administration of the trust funds, as follows: (a) refining the roles and responsibilities of the trust fund committee, the programme support unit and the trust fund unit; (b) ensuring that implementing agencies were accountable for the funds disbursed by the Mission; and (c) streamlining the process for the release of funds to implementing agencies. The audit also identified improper payment of allowances totalling $150,000 to staff of the Office for the Coordination of Humanitarian Affairs. OIOS has not received proof of recovery of payments from the concerned persons. The Mission is in the process of implementing the OIOS recommendations.

Quick-impact projects

62. OIOS conducted audits of quick-impact projects implemented by UNMEE, UNMIL, UNOCI and MONUC. At UNMEE (AP2005/624/03), OIOS found that most of the recommendations made in its previous audit report of July 2002 had not been implemented. The lack of standard operating procedures, combined with inadequate management attention and involvement, had resulted in questionable disbursements, delays in project implementation and lack of accountability. OIOS continues to follow up with UNMEE on the implementation of its outstanding recommendations.

63. In UNMIL (AP2005/626/10), there were control weaknesses that led to non-compliance with the guidelines for quick-impact projects, particularly with regard to the review of project proposals prior to the approval and release of funds. The Mission needed to intensify its efforts to clear the backlog of advances paid to implementing agencies and ensure the recovery of funds, wherever necessary. In addition, the creation of a database showing the performance of the various implementing agencies would enable the Mission to ensure that non-performing or poorly performing agencies did not receive additional funding. UNMIL has initiated the necessary steps to implement OIOS recommendations. The Department of Peacekeeping Operations further commented that it is developing a comprehensive policy on quick-impact projects, which will cover resource allocation, project selection and duration and the roles of missions and other participants in managing and implementing those projects. The policy will also consider the recommendations of the oversight bodies relating to quick-impact projects.

Rule of law

64. An audit of the rule of law programme at MONUC (AP2005/620/12) found that the Mission's Rule of Law Unit needed to define its role, develop a workplan that included goals and time frames for implementation and adopt a concept of operations that was consistent with its mandated responsibilities. Furthermore, there was a need to develop terms of reference for ensuring coordination with other entities involved in the programme, including procedures for defining goals, assigning responsibility and tracking and reporting on the progress made. MONUC

has undertaken the implementation of OIOS recommendations in this regard. According to the Department of Peacekeeping Operations a concept of operation was developed, which was superseded by a three-year strategic plan. A workplan has been developed consistent with the plan that identifies time frames and officers responsible for completion of tasks.

Integrated peacekeeping training

65. In an inspection to assess the effectiveness of integrated training for military, police and civilian personnel of peacekeeping operations (MECD-2006-001), OIOS noted a sound and current training strategy with policies and supporting guidance. To enhance peacekeeper training, OIOS recommended greater cooperation among civilian, military and police components and career development planning. The inspection further stressed the importance of the following:

- Improved coordination with the international training community at large.
- Building closer partnerships between the Department of Peacekeeping Operations, Member States and peacekeeping training institutions.
- Formal recognition and/or accreditation of training courses and institutions.

The Department has accepted the preceding recommendations.

Military involvement in civil assistance in peacekeeping operations

66. A review of military involvement in civil assistance in peacekeeping operations (A/60/588) found that the quality and effectiveness of military support to civil assistance varied greatly and in some instances was counterproductive. The report underscored the need for coherent planning, strategy development and thorough consultation and coordination with the humanitarian organizations and agencies in theatres of operation to avoid duplication and/or conflicting activities. The report also noted the need for adequate resources, including qualified personnel, to make military involvement more effective and efficient. The Department of Peacekeeping Operations accepted and is in the process of implementing OIOS recommendations.

Information management in peacekeeping operations

67. In a review of the effectiveness of information management in peacekeeping operations (A/60/596), OIOS underscored the need for comprehensive and effective information management for informed decision-making and for ensuring security and success in peacekeeping operations. The review noted that the assets for effective information management required focused configuration and that more coordination was required between the peacekeeping force and civilian elements in public information and information security. A formal institutional mechanism should be set up for passing information from Member States to peacekeeping operations, including inter-mission information sharing, and a new technology should be introduced for information collection and analysis. The Department of Peacekeeping Operations is in the process of implementing OIOS recommendations.

Review of the results-based budgeting framework

68. At the request of the Controller, OIOS is currently undertaking a review aimed at assessing the effectiveness and efficiency of the results-based budgeting framework for the achievement of results in peacekeeping operations. The review stems from the Department of Peacekeeping Operations' application of the United Nations approach of managing processes and resources for results as the basis of assessing performance, establishing a framework with clear objectives linked with a set of activities (outputs) and performance indicators with which it assesses programme performance at the end of each year. The review aims to assess the extent to which the results-based budgeting framework is effective and efficient in measuring the achievement of results and will cover all phases of the framework as applied to peacekeeping operations.

III. Management consulting activities

Benchmarking organizational integration and process improvements

69. At the request of the Department of Peacekeeping Operations, the internal Management Consulting Service of the Monitoring, Evaluation and Consulting Division, OIOS, prepared a comprehensive benchmarking study on organizational integration. Showing that integration is not achieved through structural measures alone, the study highlighted the need to focus on people, processes and systems in order to realize performance improvement. Effecting organizational change requires dedicated change management support, and improving business processes is the key organizational enabler to enhance performance. Lean Six Sigma is the current industry standard for process improvement designed to reduce waste and enhance output quality. The Management Consulting Section organized a Lean Six Sigma executive overview workshop for the Department and related entities, and conducted a demonstration project to test Lean Six Sigma in the peacekeeping environment. The project resulted in a significant reduction of process lead time, and further support for process improvement is in preparation.

Annex

Review of methodology for the allocation of resident auditors to peacekeeping missions

1. In recent years there has been a major increase in the number of missions where resident auditors are deployed, growing from 3 missions in 1998 to 11 currently. Mission budgets have also increased to the point where they are the major expenditure of the Organization. The increasing number of missions has resulted in a corresponding increase in the number of resident auditors deployed to those missions to provide adequate oversight coverage. The General Assembly, by its resolution 60/268, requested that the Office of Internal Oversight Services undertake the task of refining its methodology for allocating resident auditors to peacekeeping missions, taking into account the risk and complexity of the operations of individual peacekeeping missions, and to report thereon to the Assembly.

2. The present formula for allocating resident auditors to peacekeeping and special political missions was proposed in the Secretary-General's report on the experiences gained from the use of resident auditors at peacekeeping missions (A/55/735) and endorsed by the Advisory Committee on Administrative and Budgetary Questions in its report on the financing of the United Nations Observer Mission in Sierra Leone (UNOMSIL) and the United Nations Mission in Sierra Leone (UNAMSIL) (A/54/647). Under this formula, OIOS can request the establishment or addition of a resident auditor post at the P-3 or P-4 level in peacekeeping missions for each $100 million of annual budgeted expenditure, as well as the assignment of an auditing assistant at the GS-6 or GS-7 level at those missions with annual budgets exceeding $200 million. It has also been the practice within the formula endorsed by the Committee that for large missions, the chief resident auditor is appointed at the P-5 level. Currently, there are a total of eight OIOS resident audit offices headed by a chief resident auditor at the P-5 level.[a]

A. Experience in applying the formula for the allocation of resident auditors

3. The Office of Internal Oversight Services has reviewed its experience in applying the formula in the context of the risk and complexity of the individual peacekeeping missions. The formula has provided simplicity in the guidance for allocating resident audit resources to missions, and in practice it has enabled the resident auditors to cover most high-risk areas at peacekeeping and special political missions. OIOS has used the formula together with detailed risk assessments conducted annually at each peacekeeping mission, as described in the section below, to determine its continuing requirements for resident auditors. The current deployment of resident auditors based on applying the formula is shown in the table. In addition, resident audit offices will be added at the United Nations Integrated Mission in Timor-Leste (UNMIT) and UNIFIL in 2007.

[a] In MINUSTAH, MONUC, ONUB, UNMIK, UNMIL, UNMIS, UNOCI and the Middle East audit office.

Table
Resident auditor deployment in field missions
(as of 30 June 2006)

Mission	*Professional staff*	*General Service staff*	*Local staff*	*Total*
MONUC	6	2	1	9
UNMEE	1		1	2
ONUB	3	1		4
UNMIL	6	1	1	8
UNAMA	1		2	3
UNAMI	1	1	1	3
UNOCI	3	1	1	5
UNMIK	3		1	4
Middle East	2	1		3
UNMIS	8	1	1	10
MINUSTAH	3	1	1	5
Total	**37**	**9**	**10**	**56**

4. A recent study by the Joint Inspection Unit of oversight lacunae in the United Nations system (JIU/REP/2006/2) reported, inter alia, that for 19 United Nations entities included in the study, the annual resources overseen per auditor ranged from $28 million to $272 million, as compared with a suggested range of from $60 to $110 million per auditor. OIOS notes that the present formula for allocating resident auditors is within the upper range of budgeted expenditures per auditor as proposed by the Unit. OIOS also believes that further refinement of the formula would not be practical, as the modalities already exist for adjusting the formula for risk and complexity considerations at individual peacekeeping missions.

Risk assessment approach for audit planning

5. In principle, OIOS deploys the resident auditors in line with the formula, but may from time to time request an adjustment of the formula where there are significant high-risk activities and mission complexities. For example, when the mandate of a mission encompasses large and complex substantive activities or a large trust fund is managed by a mission, it may be appropriate to deploy one or more additional resident auditors. Conversely, when there are factors in a mission that represent a lower-risk environment, OIOS may request fewer resident auditors than would be called for by the formula.

6. In accordance with the International Standards for the Professional Practice of Internal Auditing (Institute of Internal Auditors) that OIOS follows, audit plans should be based on assessment of risks. OIOS has adopted a common risk-assessment methodology in the audit planning process. The methodology draws on leading practices from international accounting firms and other methodologies to ensure that risks identified can be assessed consistently between and within organizations. Key elements of the methodology include identifying strategic and operational risks (the threat that an event or action will adversely affect the United

Nations ability to achieve its organizational objectives and execute its strategies successfully); the Office of Internal Oversight Services understanding of the organization's objectives, strategies, processes, risks and controls; an evaluation of the controls already in place; and the professional judgement of the auditors concerned.

7. The risk assessment determines, for each auditable activity: (a) the likelihood or probability that an event or risk could occur *without* considering the effect of risk mitigation actions and the strength of internal control; (b) the impact or the exposure to the entity from a reputation, financial or mandate perspective should the event or risk occur; and (c) the residual strategic and operational risk, that is, the risk remaining after considering the mitigating influence of the control environment and risk-management techniques. A high residual business risk indicates that the identified risk usually has a high likelihood of having a significantly adverse impact on the United Nations ability to attain its goals. A low residual strategic and operational risk that is the result of a large shift in probability or impact or both indicates that management has a high degree of reliance on controls or risk-management techniques.

8. On the basis of the risks identified and rated in the risk assessment exercise, including the risk of fraud and misappropriation, threats to the physical security of United Nations staff and facilities, and the like, the audit plan is prepared, allocating resident audit resources to high risks first, then to medium risks for the second year of the plan and continuing thereafter until all significant risks are covered.

9. The risk-assessment process has been designed to be dynamic, and resident auditors update their plans on an ongoing basis to reflect the changing risk environment of the missions. Mission management has also been very receptive to the risk-assessment methodology. For example, in UNOCI and UNMIL, the risk assessment was widely distributed to all section chiefs and has become a cornerstone of their internal control assessment and risk management.

B. Achievements resulting from the deployment of resident auditors

Adding value to the Organization

10. Recently, peacekeeping mission budgets have increased significantly, with a total budget for the 2005/06 financial year of approximately $5 billion. Resident auditors are responsible for providing internal audit for most of those expenditures, and there have been significant changes in the resident audit function. While resident auditors previously had a relatively low profile, OIOS has sought to increase both their visibility and value, which has been achieved in a number of ways, as explained below.

11. Firstly, the resident auditors' profile has increased significantly through their participation in the senior management groups of most large missions. In most missions, the Chief Resident Auditor is now considered a valuable resource for the head of mission and is increasingly called on by management for ad hoc reviews and advice. This represents a major change in the culture of missions. For example, in ONUB, the Chief Resident Auditor played a vital role in assisting senior management of the Mission with the implementation of a strategic management process. Similarly, in UNMIL, the Chief Resident Auditor assisted mission

management with the implementation of a risk-management programme. It should be emphasized, however, that such activities are not carried out at the expense of the independence of the resident auditors, who are part of OIOS.

12. Another benefit of the resident auditor network is that it provides a structure of auditors at missions. That structure is available to conduct horizontal audits of systemic areas of mission operations, such as discipline, security, rations and fuel management, and also serves as a pool of talent that can be called upon at times when there is a surge requirement, such as the comprehensive management audit of the Department of Peacekeeping Operations requested by the General Assembly (A/60/717).

More effective use of peacekeeping audit staff at United Nations Headquarters

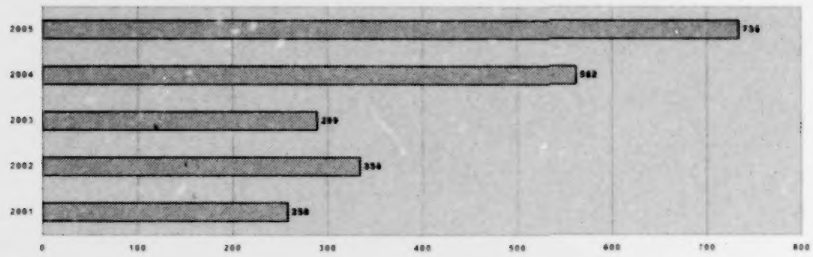
13. Prior to the development of the formula for deploying resident auditors to missions, teams from United Nations Headquarters were sent to audit missions with no resident auditors and to supplement coverage at missions where very few resident auditors were assigned. Now, auditors at Headquarters are in a better position to take responsibility for audits of the activities of the Department of Peacekeeping Operations at Headquarters.

14. As a result, it is now possible to increase audit coverage of the Department and other entities at Headquarters involved in peacekeeping operations, such as the Office of Human Resources Management and the Procurement Service. In the view of the Office of Internal Oversight Services, that coverage is vitally important since many of the high-risk areas in field operations stem from the policies and practices at Headquarters. For example, OIOS coverage has recently included a follow-up review of the use of letters of assist, which are used to procure specialized goods and services from Governments, and an audit of the Department's policies and procedures for recruiting international civilian staff for field missions (A/59/152). In particular, OIOS views procurement activities at Headquarters, such as systems contracts, as being high-risk areas worthy of additional audit coverage.

Audit recommendations and their financial implications

15. The figure shows the general increase in the number of audit recommendations issued by resident auditors over the last five years. In the view of the OIOS, the quality and impact of the audit recommendations have also increased.

Figure
Audit recommendations issued by resident auditors, 2001-2005



16. The financial impact of recommendations issued by resident auditors and implemented during the period also increased, from $361,000 in 2001 to $22.8 million in 2005. The recommendations related to recoveries, expenditure reductions, additional income, budget reductions and loss or waste of resources.

17. The recommendations have also been instrumental in improving the effectiveness of peacekeeping operations. For example, the global audit of field security management (A/59/702) made a number of recommendations aimed at improving the security of the Organization's personnel in the areas of security structures, both at Headquarters and in the field; security plans and policies and their implementation; coordination with the host Government and the external military force and between United Nations agencies; and physical security. OIOS plans to conduct a horizontal follow-up audit of security in 2007 to determine the status and impact of those important recommendations.

C. Conclusions

18. The Office of Internal Oversight Services believes that the present formula for allocating resident auditors has been an effective mechanism for determining the auditing requirements of peacekeeping and special political missions, and that together with the Office of Internal Oversight Services annual in-depth risk assessments, it serves as a benchmark for the cost, risk and complexity of individual peacekeeping and special political missions. OIOS proposes therefore to continue to use the formula as guidance in allocating resources. The primary determinants of resource levels for the Office will be as proposed in the report on proposals for strengthening OIOS.[b] However, OIOS will take into account the risk profile of the individual missions when determining the number and level of resident auditors required at each mission. That may result in an increase or decrease in the resident auditor resources requested in future OIOS budget submissions for the support account.

[b] A/60/901.